HIPAA ESSENTIALS:
Implementing the HIPAA Transactions and Code Sets

A Half Day Workshop for Wisconsin County Health Professionals

INTRODUCTION TO HIPAA

Rachel F. Klugman
Centers for Medicare & Medicaid Services
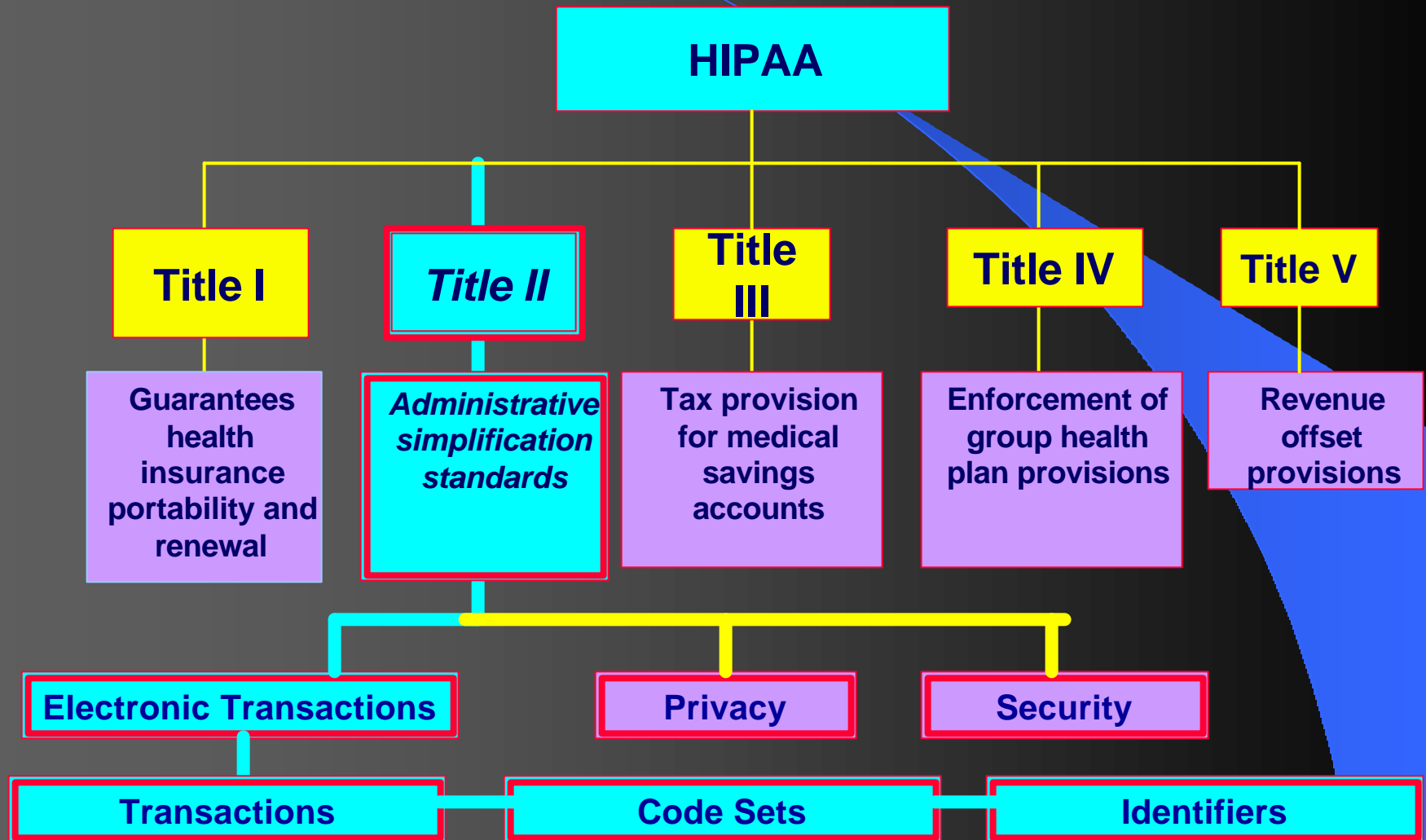*Region V, Chicago*

Centers for Medicare and Medicaid Services

HIPAA
The Health Insurance Portability and Accountability Act of 1996

- Signed August 21, 1996
- Title II, Preventing Health Care Fraud and Abuse
- Subtitle F: Administrative Simplification

Components of the Law

```
                        ┌──────────┐
                        │  HIPAA   │
                        └──────────┘

   ┌─────────┐  ┌─────────┐  ┌─────────┐  ┌─────────┐  ┌─────────┐
   │ Title I │  │Title II │  │ Title   │  │Title IV │  │ Title V │
   │         │  │         │  │  III    │  │         │  │         │
   └─────────┘  └─────────┘  └─────────┘  └─────────┘  └─────────┘
```

| Guarantees health insurance portability and renewal | *Administrative simplification standards* | Tax provision for medical savings accounts | Enforcement of group health plan provisions | Revenue offset provisions |

| Electronic Transactions | Privacy | Security |

| Transactions | Code Sets | Identifiers |

Centers for Medicare & Medicaid Services

Who created concept?

Why HIPAA?

- Industry expressed concern with high cost of health care administration
  - Lack of industry consensus on what standards should be
  - Need to enhance use of electronic data interchange (EDI)
- HIPAA put the force of law behind adoption of these standards

Who's Covered?

- **Covered Entities**
  - All health **plans**
  - All health care **clearinghouses**
  - Health care **providers** who transmit health information electronically

What is HIPAA?

- It is a <u>cultural shift</u> in how we think about health care

- HIPAA is our commitment to build an E-commerce platform for health care.

What is HIPAA?

- Similar to the electronic revolution in the banking industry

- E-Commerce resulted in fundamental changes in the way we conduct our financial business

- Yesterday: you went to the bank with your passbook and conducted business

- Today: you electronically access your account from home, computer, anywhere and conduct your business fast and conveniently.

Potential Benefits of HIPAA Standards

- Lower cost of software development and maintenance
- Assure purchasers that software will work with all payers and plans
- Lower cost of administrative transactions by eliminating time and expense of handling paper
- Pave way for cost-effective, uniform, fair, and confidential health information practices
- Pave way for standards which can do the same for electronic medical records systems.
- Pave the way for higher quality health care

HIPAA Provisions

- National standards for electronic transactions and privacy adopted by the Secretary of HHS

- All health plans and clearinghouses, and providers who conduct business electronically, must use the standards.

- Collectively referred to as "covered entities"

- Includes hospitals, durable medical equipment suppliers, sole practitioners and physician groups, dentists, pharmacies, home health agencies, hospices, etc.

Centers for Medicare & Medicaid Services

Standards for HIPAA

- Transactions and Code Sets
- Standard Unique Identifiers
  - For providers, health plans, employers
- Security
- Privacy (jurisdiction of the Office for Civil Rights, HHS)

Transaction and Code Sets Standards

- HIPAA required that we adopt industry-developed standards.

- Adopted implementation guides provide specific instructions on how to construct a compliant transaction

- These clinical code sets are in common use in their respective industries

- Covered entities MUST use the standards

- Individual agreements between trading partners must conform

- OK for covered entities to use clearinghouses or other business associates to achieve compliance

Centers for Medicare & Medicaid Services

Mandated Transaction Standards

● Specific EDI transaction standards

  – **Claims and equivalent encounters**

  – **Remittance Advice**

  – **Eligibility Inquiry and Response**

  – **Claims Status Inquiry and Response**

  – **Enrollment and Disenrollment**

  – **Premium Payment**

  – **Referral certification and authorization**

  – **Coordination of Benefits**

Transactions Adopted

- Adopts specific implementation guides for transactions
    - NCPDP for retail pharmacy drug transactions
    - X12N for all other
- Maintenance / update process (DSMOs)

Clinical Code Sets Standards

- Diagnoses & Inpatient Hospital Services -
  - ICD-9-CM
- Drugs, Biologics - NCPDP
- Dental Services - CDT
- Physician/Other Services - CPT-4/HCPCS

Centers for Medicare & Medicaid Services

What Does an Implementation Guide Look Like?

- A big recipe that includes ingredients and directions

- Standards include
  - format - how information should be arranged
  - content - what information should be included
  - Code sets - standardized data

- Download guides for free from Washington Publishing website, www.wpc-edi.com/hipaa

Process for Modifying Standards

- Important to see what works and be responsive to "real world" business/industry needs, industry consensus

- Designated Standards Maintenance Organization (DSMO) process

- Six organizations oversee standards

- Initial submissions focused on need for compliance

Provisions of the Rule (Health Plans)

- If requested, a health plan MUST conduct a transaction as a standard transaction

- A standard transaction is one that complies with HIPAA standards

- Cannot reject standard transactions

- No extra fees can be charged beyond transmission costs

Proposed Identifiers

- Employer Identification Number (EIN)
  - Tax Identification Number (TIN)
  - Administered by Internal Revenue Service
  - Final rules published May 31, 2002
- Health Care Provider Identifier (NPI)
  - 8 position alphanumeric identifier proposed
  - Majority of commentors suggested 10 position numeric identifier
  - Will be available to all providers
  - System to assign and distribute still under discussion

Centers for Medicare & Medicaid Services

Compliance Schedule

- Two years from effective date of final regulation
    - except small health plans get an extra year
- Transactions and code sets
    - - initial compliance date was October 2002
    - Privacy - compliance date April 2003
- Other regulations still in process

Industry Timing Concerns

- Industry requested more time to implement
- Result was Administrative Simplification Compliance Act or ASCA
- Signed into law by President Bush on December 27, 2001 (Public Law 107-105)
- Allows covered entities to request a one-year extension for transactions and code sets compliance

Administrative Simplification Compliance Act (ASCA)
PL 107-108

- Allows for one year extension (to October 16, 2003) for covered entities that file a compliance plan (except for small health plans)

- **Medicare** requirement: Providers (except small providers) must submit claims electronically to Medicare starting Oct 16, 2003)

ASCA Provisions

- File extension by October 15, 2002.

- Small health plans already have until October 2003 to be compliant

- Congress required submitting plans so providers would be prompted to think about HIPAA.

- Extensions are NOT automatic - you must submit a compliance extension plan.

- NCVHS will determine compliance barriers, publish solutions

Other ASCA Provisions

● The Secretary of HHS has discretion to exclude providers from Medicare if they are not compliant and don't file for an extension by October 16, 2002.

● Effective October 2003, paper claims will not be paid by Medicare

– exceptions for small providers, situations where electronic filing not possible

Compliance Extension Plan and Instructions

- The Secretary was required by ASCA to offer a model compliance extension plan by March 31, 2002.

- HHS made a model compliance extension plan available on the cms.hhs.gov/hipaa website on March 29, 2002

- Secure/Non-Secure Server option now available

- Federal Register notice including the model plan and instructions published April 15, 2002

- HHS strongly encourages electronic filing of plans although it will also accept paper, and variations as long as they contain the key elements

Compliance Extension Plan and Instructions

- Key elements include:
  - schedule for HIPAA implementation
  - work plan and budget
  - implementation strategy
  - planned use of vendors
  - timeframe for testing

Compliance Extension Plan

Notice: If you are filing a single compliance plan covering multiple related entities, complete this form, submit it electronically and then click on the "file for multiple entities on this plan" button to add additional covered entities.

Section A: *Covered Entity* and Contact Information

1. Name of *Covered Entity*   2. Tax Identification Number   3. Medicare Identification Number(s)

4. Type of *Covered Entity* (Check all that apply from these drop-down menus)

☐ *Health Care Clearinghouse*   ☐ *Health Plan*   ☐ *Health Care Provider*

Dentist
DME Supplier
Home Health Agency
Hospice
Hospital
Nursing Home
Pharmacy
Physician/Group Practice
Other

Centers for Medicare & Medicaid Services

Compliance Extension Plan

Section A (continued)

5. Authorized Person _____   6. Title _____

7. Street _____

8. City _____   State _____   Zip _____

9. Telephone Number

_____

Compliance Extension Plan

Section B: Reason for Filing for This Extension

10. Please check the box next to the reason(s) that you do not expect to be compliant with the HIPAA Electronic Health Care Transactions and Code Sets standards (45 C.F.R. Parts 160, 162) by October 16, 2002. Multiple boxes may be checked.

☐ Need more money
☐ Need more staff
☐ Need to buy hardware
☐ Need more information about the standards
☐ Waiting for vendor(s) to provide software
☐ Need more time to complete implementation
☐ Waiting for clearinghouse/billing service to update my system
☐ Need more time for testing
☐ Problems implementing code set changes
☐ Problems completing additional data requirements
☐ Need additional clarification on standards
☐ Other

Compliance Extension Plan

Section C: Implementation Budget

This question relates to the general financial impact of the HIPAA Electronic Health Care Transactions and Code Sets standards (45 C.F.R. Parts 160, 162) on your organization.

11. Select from the drop-down menu the range of your estimated cost of compliance with the HIPAA Electronic Health Care Transactions and Code Sets standards (45 C.F.R. Parts 160, 162)

Less than $10,000
$10,000 - $100,000
$100,000 - $500,000
$500,000 - $1,000,000
Over $1 million
Don't Know

Centers for Medicare & Medicaid Services

Compliance Extension Plan

Section D: Implementation Strategy

This Implementation Strategy section encompasses HIPAA Awareness, Operational Assessment, and Development and Testing. For more details on completing each of these subsections, refer to the model compliance plan instructions at www.cms.hhs.gov/hipaa.

Implementation Strategy Phase One -- HIPAA Awareness

These questions relate to your general understanding of the HIPAA Electronic Health Care Transactions and Code sets standards (45 C.F.R. Parts 160, 162)

12. Please indicate whether you have completed this Awareness phase of the Implementation Strategy

☐ Yes   ☐ No

If yes, skip to (14), and then to Phase Two -- Operational Assessment. If not, please answer both (13) and (14). Have you determined a:

13. Projected/Actual Start Date
(select month/year from this
drop-down menu)

14. Projected/Actual Completion Date
(select month/year from this
drop-down menu)

Compliance Extension Plan

Implementation Strategy Phase Two -- Operational Assessment

These questions relate to HIPAA operational issues and your progress in this area.

12. Please indicate whether you have completed this Operational Assessment phase of the Implementation Strategy

☐ Yes ☐ No

If yes, proceed to (20) and then Phase Three -- Development and Testing. If no, please answer all of the following questions. Have you:

16. Reviewed current processes against HIPAA Electronic Health Care Transactions and Code Sets standards (45 C.F.r. Parts 160, 162) requirements?

☐ Yes ☐ No ☐ Initiated But Not Completed

17. Identified internal implementation issues and developed a workplan?

☐ Yes ☐ No ☐ Initiated But Not Completed

18. Do you plan to or might you use a contractor/vendor to help achieve compliance?

☐ Yes ☐ No ☐ Undecided

19. Projected/Actual State Date:

(select month/year from this

drop-down menu)

20: Projected/Actual Completion Date:

(select month/year from this

drop/down menu)

Compliance Extension Plan

Implementation Strategy Phase Three -- Development and Testing

These questions relate to HIPAA development and testing issues. ASCA legislation requires that testing begin no later than April 16, 2003. For more details, refer to the model compliance plan instructions at www.cms.hhs.gov/hipaa.

21. Please indicate whether you have completed this Development and Testing phase of the Implementation Strategy

☐ Yes   ☐ No

If yes, proceed to (26) If no, please answer all of the following questions. Have you:

22. Completed software development/installation?

☐ Yes   ☐ No   ☐ Initiated But Not Completed

23. Completed staff training?

☐ Yes   ☐ No   ☐ Initiated But Not Completed

24. Projected/Actual Development State Date: (select month/year from this drop-down menu)

25: Projected/Actual Initial Internal Software Testing Start Date: (select month/year from this drop/down menu)

26: Projected/Actual Initial Internal Software Testing Start Date: (select month/year from this drop/down menu)

Compliance Extension Plan

SUBMIT THIS PLAN
ELECTRONICALLY

CANCEL THIS PLAN
AND START OVER

Compliance Extension Plan

Thank you! Your Electronic Transactions and Code Sets

Compliance Extension Plan has been submitted to CMS.

Your confirmation number is: **1000023**

Do you need to file for related multiple entities that are included

under the same implementation plan that you just filed?

> If so, please click on the button below and you can enter their information for Fields 1-4 in Section A. The information for the other sections will be the same as the plan you just filed and this information will be filled in on the form to speed the filing process.

File for Multiple Entities on this Plan

Return to the Compliance Extension Plan Homepage

Centers for Medicare & Medicaid Services

Compliance Extension Plan

- Use the model plan as a TOOL to show you the way to be compliant

- If you already have a plan, simply extract information for your compliance extension plan

- If you don't yet have a plan, use the model to guide you

- Focus on compliance, not on the form itself

Centers for Medicare & Medicaid Services

Cost of Compliance

- A common question, with no definitive answer

- Like buying a car. There are many variables

  – trade-in, value, kind of car, options, dealer

Cost of Compliance

- HIPAA is similar.
- Do you currently file electronically?
- Do you plan to expand in the future?
- Do you have hardware or starting from scratch?
- Can you upgrade existing software?
- All these will affect your compliance budget

Centers for Medicare & Medicaid Services

Cost of Compliance

- Things to think about:
  - Free billing software for Medicare claims
  - Automatic software upgrades
  - Using a HIPAA compliant clearinghouse or billing agent

Cost of Compliance

● According to the Medical Group Management Association, there are a few areas where costs might be incurred. They include:

– Transactions - check with your practice management vendor ASAP

– Transition from the paper HCFA-1500 to the new 837 demands additional data elements

– Staff training - cost, time, materials

Ask Your Vendors

- Talk to them about their HIPAA plans/timetables
- Ask them...
  - if their products are compliant
  - about delivery dates
  - if they've tested with a certification authority

HIPAA Myths

- "HIPAA is only an IT issue."
- "HIPPA requires electronic transmission of all transactions."
- "HIPAA only affects providers who participate in Medicare and Medicaid."
- "HIPAA isn't really going to happen."

Conclusions

- HIPAA's E-commerce approach will culturally change health care

- Delay provides opportunity for higher quality, lower risk

- Get an extension before October 15, 2002!

- Establish a reasonable plan and stick to it

- Talk to your vendors now

- Test as early as possible

Centers for Medicare & Medicaid Services

Resources

● Find resources/information available through CMS, industry groups, associations and other partners

– www.cms.hhs.gov/hipaa

– www.aspe.hhs.gov/admnsimp

– www.snip.wedi.org

– www.wpc-edi.com/hipaa

– www.hipaa-dsmo.org

– www.AskHIPAA@cms.hhs.gov

Centers for Medicare & Medicaid Services